

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4449-01
Bill No.: SB 1215
Subject: Liability; Insurance - Medical
Type: Original
Date: February 17, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	Unknown	Unknown	Unknown
Total Estimated Net Effect on General Revenue Fund*	Unknown	Unknown	Unknown

* May exceed \$100,000 annually.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Conservation Commission Insurance Plan	Unknown	Unknown	Unknown
Highway and Patrol Medical Plan	Unknown	Unknown	Unknown
Other Funds	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>All</u> State Funds*	Unknown	Unknown	Unknown

* May exceed \$100,000 annually.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Federal Funds	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>All</u> Federal Funds*	Unknown	Unknown	Unknown

* May exceed \$100,000 annually.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government*	Unknown	Unknown	Unknown

* May exceed \$100,000 annually.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Insurance, Office of Administration (COA) - Division of Budget and Planning** and **COA - Division of Risk Management/General Services** assume the proposal would have no fiscal impact on their organizations.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the potential fiscal impact of this proposal.

Officials from the **Missouri Department of Transportation (DOT)** state the Highway and Patrol Medical Plan has a reimbursement policy which allows the DOT/Missouri State Highway Patrol (MHP) Medical Plan to recover medial claims expense from the subscriber/participant whenever the subscriber/participant receives payments for physical or mental treatment from individuals, insurance companies, settlements, or court verdicts. Any reimbursement shall not exceed the amount actually paid by the Plan. Subrogation would allow MHTC and the Plan to file a lawsuit against the third party, without including the subscriber/participant in the suit, for the difference in the reimbursement received and the costs of the medical claims paid by the plan.

ASSUMPTION (continued)

There may be a fiscal impact to the MHTC for the costs of litigation, but the cost cannot be reasonably estimated. There may also be a positive fiscal impact to the medical plan from increased reimbursements, but this also cannot be determined.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** state because events that may result in subrogated claims are unpredictable, it is very difficult to forecast the potential savings this proposal may yield.

In a February 2000 study, using the Inter Study National HMO Financial Database, the subrogation/Coordination of benefits (COB) rate for 1997 was \$1.38. Employing this PMPM rate results in a 2004 HCP potential savings of \$545,006 when applied to HCP's current 32,911 self-insured membership.

HCP officials note this is a rough estimate as the \$1.38 PMPM figure is several years old and could be different today. The figure refers to subrogation and COB and the proposal only refers to subrogation. No updated estimates were found.

Officials from the **Missouri Department of Conservation (MDC)** state the proposal could have a positive impact on MDC's self-insured health plan. The amount of impact is unknown.

Oversight assumes some cost savings could be passed on to the State, but is unable to determine that amount. **Oversight** also assumes other public entities could experience cost savings.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Savings</u> - Reduction in cost of benefits	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND*	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>	<u><u>Unknown</u></u>

FISCAL IMPACT - State Government

FY 2005
(10 Mo.)

FY 2006

FY 2007

**CONSERVATION COMMISSION
INSURANCE PLAN**

Savings - Health benefit reimbursements
from third party tortfeasors

Unknown

Unknown

Unknown

**ESTIMATED NET EFFECT ON
CONSERVATION COMMISSION
INSURANCE PLAN***

Unknown

Unknown

Unknown

**MISSOURI HIGHWAY AND
TRANSPORTATION COMMISSION
(MHTC) - HIGHWAY AND PATROL
MEDICAL PLAN**

Savings - Health benefit reimbursements
from third party tortfeasors

Unknown

Unknown

Unknown

**ESTIMATED NET EFFECT ON
MHTC - HIGHWAY AND PATROL
MEDICAL PLAN ***

Unknown

Unknown

Unknown

OTHER FUNDS

Savings - Health benefit reimbursements
from third party tortfeasors

Unknown

Unknown

Unknown

**ESTIMATED NET EFFECT ON
OTHER FUNDS***

Unknown

Unknown

Unknown

FEDERAL FUNDS

Savings - Health benefit reimbursements
from third party tortfeasors

Unknown

Unknown

Unknown

**ESTIMATED NET EFFECT ON
FEDERAL FUNDS***

Unknown

Unknown

Unknown

* Savings could exceed \$100,000.

FISCAL IMPACT - Local Government

FY 2005
(10 Mo.)

FY 2006

FY 2007

LOCAL PUBLIC ENTITIES

Savings - Health benefit reimbursements
from third party tortfeasors

Unknown

Unknown

Unknown

**ESTIMATED NET EFFECT ON
LOCAL PUBLIC ENTITIES***

Unknown

Unknown

Unknown

*** Savings could exceed \$100,000.**

FISCAL IMPACT - Small Business

Small businesses that are self-insured could have a positive fiscal impact as a result of this proposal.

DESCRIPTION

This proposal allows public entities that provide or pay for health care services under a plan of self-insurance to an employee or other covered person to require reimbursement of claims paid by the plan for which there was third-party liability. The public entity will be subrogated to any right or claim that the employee or other covered person has against the third party for reasonable care, treatment, and benefits provided under the plan. The public entity may require the employee to assign the cause of action against the third party to the extent of that right or claim.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration -
 Division of General Services/Risk Management
Missouri Department of Transportation
Department of Public Safety -
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Department of Insurance
Missouri Department of Conservation

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 17, 2004